

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Houghton Lake Ambulance Authority	County Roscommon
Fiscal Year End 12/31/2006	Opinion Date 10/25/2007	Date Audit Report Submitted to State December 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Letter of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Zip 49601			
Authorizing CPA Signature 	Printed Name Michael D. Cool, C.P.A.	License Number 1101023146	

**HOUGHTON LAKE AMBULANCE AUTHORITY**

**HOUGHTON LAKE, MICHIGAN**

**DECEMBER 31, 2006**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

DECEMBER 31, 2006

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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October 25, 2007

### INDEPENDENT AUDITORS' REPORT

Members of the Board  
Houghton Lake Ambulance Authority  
Houghton Lake, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Houghton Lake Ambulance Authority, Houghton Lake, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

During the year, the system for reconciling accounts receivable to billings, collections and accounts receivable write-offs did not function properly in the General Fund. Accounting principles generally accepted in the United States of America require this reconciliation. The amount by which this departure would affect the assets, fund balances and revenues of the General Fund is not reasonably determinable.

In our opinion, except for the effects of not reconciling accounts receivable to billings, collections and accounts receivable write-offs in the General Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Houghton Lake Ambulance Authority, Houghton Lake, Michigan, as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

The Houghton Lake Ambulance Authority is an independent governmental entity having the power to levy its own taxes. The Authority has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Houghton Lake Ambulance Authority board's discussion and analysis of the financial results for the year ended December 31, 2006.

**Financial Highlights**

- ◆ The assets of the Authority exceeded its liabilities at the close of the year by \$1,063,188. Of this amount, \$764,179 may be used to meet the Authority's ongoing obligations to citizens and creditors.
- ◆ At the end of the current year, unreserved fund balance for the General Fund was \$326,014.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Authority's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Authority include emergency services.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Authority are governmental funds.

The Authority has the following type of fund:

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Authority’s financial position over time. The Net Assets of the Authority are \$1,063,188 at December 31, 2006, meaning the Authority’s assets were greater than its liabilities by this amount.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

**Houghton Lake Ambulance Authority**  
**Net Assets as of December 31,**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current Assets	\$ 782,891	\$ 712,111
Non Current Assets		
Capital Assets	431,831	518,478
Less: Accumulated Depreciation	128,630	102,895
Total Non Current Assets	303,201	415,583
<b>Total Assets</b>	<b>\$ 1,086,092</b>	<b>\$ 1,127,694</b>
<b>Liabilities</b>		
Current Liabilities	\$ 22,904	\$ 65,501
Noncurrent Liabilities	0	33,113
Total Liabilities	22,904	98,614
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	299,009	376,739
Unrestricted	764,179	652,341
<b>Total Net Assets</b>	<b>1,063,188</b>	<b>1,029,080</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,086,092</b>	<b>\$ 1,127,694</b>

The most significant portions of the Authority's Net Assets are cash, taxes receivable, and investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Authority used to acquire or construct the asset.

At the end of the current year, the Authority is able to report positive balance in net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Authority. The condensed information was derived from the government-wide Statement of Activities.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

**Houghton Lake Ambulance Authority**  
**Change in Net Assets**  
**for the Year Ended December 31,**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b><u>Revenues</u></b>		
<b>Charges for Services</b>	\$ 253,564	\$ 301,771
<b>General Revenues</b>		
Property Taxes	422,992	394,540
Contributions from Local Units	9,672	50,157
Interest Earnings	7,959	2,337
Other	14,023	8,185
<b>Total Revenues</b>	<u>708,210</u>	<u>756,990</u>
<b><u>Expenses</u></b>		
Public Safety	<u>674,102</u>	<u>647,162</u>
Change in Net Assets	34,108	109,828
NET ASSETS - Beginning of Year	<u>1,029,080</u>	<u>919,252</u>
NET ASSETS - End of Year	<u><u>\$ 1,063,188</u></u>	<u><u>\$ 1,029,080</u></u>

**Governmental Activities**

During the year ended December 31, 2006, the Authority's net assets increased by \$34,108 or 3.31% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Authority to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Houghton Lake Ambulance Authority comes from the Townships of Lake and Roscommon. Both townships levied ambulance service millages this fiscal year. Each township levied 1.6578 mills for ambulance services.

The Authority's governmental activities expenses are dominated by public safety expenses that total 100% of total expenses. The Authority spent \$674,102 in the year 2006 on public safety expenses. Expenses for

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

salaries and wages represent a large portion of the public safety expenses at \$277,120. Depreciation expense added another \$91,373.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Houghton Lake Ambulance Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**Capital Assets and Debt Administration**

**Capital Assets.** The Authority's investment in capital assets for governmental activities as of December 31, 2006 amounted to \$303,201 net of accumulated depreciation. The total net decrease in the Authority's investment in capital assets for the current year was 27.04%.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Houghton Lake Ambulance Authority**  
**Capital Assets as of December 31, 2006**

	<b><u>Governmental Activities</u></b>
Land	\$ 45,000
Buildings	56,425
Vehicles	224,822
Equipment	<u>105,584</u>
	431,831
Less Accumulated Depreciation	<u>128,630</u>
<b>Net Capital Assets</b>	<b><u><u>\$ 303,201</u></u></b>

Major capital asset events during the current year included the following:

- Purchased a new ambulance and various pieces of equipment.

**Long-Term Debt.** As of December 31, 2006, the only outstanding debt the authority has is in the form of a lease for Lifepack monitors. This lease expires in 2007 at which point the Authority will own them outright.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2006

**Economic Condition and Outlook**

The Authority is expected to be supported by the Townships in the future.

The mills to be levied for the 2007 tax roll for fire protection are expected to be similar to 2006.

These factors were considered in preparing the Authority's budgets for the 2007 year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Houghton Lake Ambulance Authority at 6868 W. Houghton Lake Dr., Houghton Lake, Michigan 48629 or call (989) 422-3312.

HOUGHTON LAKE AMBULANCE AUTHORITY

HOUGHTON LAKE, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 279,938
Inventory	10,940
Accounts Receivable	72,094
Taxes Receivable	416,592
Prepaid Expenditures	3,327
	<hr/>
Total Current Assets	782,891
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<u>CAPITAL ASSETS</u>	
Land	45,000
Buildings	56,425
Vehicles	224,822
Equipment	105,584
	<hr/>
	431,831
Less Accumulated Depreciation	128,630
	<hr/>
Total Capital Assets	303,201
	<hr/>
TOTAL ASSETS	<u><u>\$ 1,086,092</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 3,238
Accrued Wages	11,788
Payroll Liabilities	3,686
Lease Payable	4,192
	<hr/>
TOTAL LIABILITIES	22,904
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	299,009
Unrestricted	764,179
	<hr/>
TOTAL NET ASSETS	1,063,188
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,086,092</u></u>

The accompanying notes are an integral part of the financial statements.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2006

		PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES		TOTALS
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Public Safety	\$ 674,102	\$	253,564	\$ (420,538)
<u>GENERAL REVENUES</u>				
	Property Taxes			422,992
	Contributions from Local Units			9,672
	Interest Earnings			7,959
	Refunds and Reimbursements			14,023
	Total General Revenues			454,646
	Change in Net Assets			34,108
	<u>NET ASSETS</u> - Beginning of Year			1,029,080
	<u>NET ASSETS</u> - End of Year			\$ 1,063,188

The accompanying notes are an integral part of the financial statements.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUND

BALANCE SHEET  
DECEMBER 31, 2006

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	\$ 279,938
Inventory	10,940
Accounts Receivable	72,094
Taxes Receivable	416,592
Prepaid Expenditures	<u>3,327</u>
 TOTAL ASSETS	 <u><u>\$ 782,891</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,238
Accrued Wages	11,788
Deferred Revenue	434,838
Payroll Liabilities	<u>3,686</u>
 TOTAL LIABILITIES	 <u>453,550</u>
 <u>FUND BALANCE</u>	
Reserved	
Prepaid Expenditures	3,327
Unreserved	
Undesignated	<u>326,014</u>
 Total Fund Balance	 <u>329,341</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 782,891</u></u>

The accompanying notes are an integral part of the financial statements.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

Total Fund Balance for Governmental Funds	\$	329,341
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$	45,000	
Buildings		56,425	
Vehicles		224,822	
Equipment		105,584	
Accumulated Depreciation		<u>(128,630)</u>	303,201

Other assets are not available to pay for current period expenditures  
and therefore are treated as deferred revenue in the funds

Taxes Receivable included in deferred revenue		416,592
Charges for Services included in deferred revenue		18,246

Long term liabilities are not due and payable in the current period and  
are not reported in the fund.

Capital Lease Payable		<u>(4,192)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,063,188</u></u>
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The accompanying notes are an integral part of the financial statements.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2006

REVENUES

Property Taxes	\$ 400,940
Contributions from Local Units	9,672
Charges for Services	286,582
Interest	7,959
Sale of assets	31,000
Refunds and Reimbursements	<u>14,023</u>
 Total Revenues	 <u>750,176</u>

EXPENDITURES

Salaries and wages	277,120
Fringe benefits	70,807
Education and training	6,284
Office Supplies	7,613
Operating Supplies	15,879
Medical Supplies	9,749
Maintenance and repairs	10,891
Miscellaneous	494
Professional Services	5,275
Contracted Services	68,988
Utilities	8,343
Insurance	12,872
Capital Outlay	98,405
Debt Service	<u>34,652</u>
Total Expenditures	<u>627,372</u>
Net change in Fund balance	122,804

<u>FUND BALANCE</u> - Beginning of Year	<u>206,537</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 329,341</u></u>
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The accompanying notes are an integral part of the financial statements.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2006

Net change in Fund Balances Total Governmental Funds	\$ 122,804
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Amounts reported for governmental activities are different because:

Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	34,652
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In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

Sale of Capital Assets	(31,000)
Loss on the sale of capital assets	(81,362)

Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(91,373)
Capital Outlay	91,353

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.

Deferred Revenue - Earned but Unavailable - Beginning of Year	(445,804)
Deferred Revenue - Earned but Unavailable - End of Year	<u>434,838</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 34,108</u>
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The accompanying notes are an integral part of the financial statements.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Houghton Lake Ambulance Authority is an ambulance authority supported by Roscommon and Lake Townships. Under the criteria established by accounting principles generally accepted in the United States of America, the Ambulance Authority has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Ambulance Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, the Authority considers its tax levied in December each year as not available until the next fiscal year, and budgets those revenues in the following year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Contributions from local units and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Ambulance Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Houghton Lake Ambulance Authority reports one fund as follows:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

When both restricted and unrestricted resources are available for use, it is the Ambulance Authority's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Ambulance Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

- I. The Ambulance Authority Board is limited to investments authorized by PA 20 of 1943 and has authorized the Ambulance Authority Treasurer to invest funds as follows:
  - a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - b. In certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Houghton Lake Ambulance

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HOUGHTON LAKE, MICHIGAN

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Authority Board at the Board's organizational meeting after each regular election of board members.

- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. In repurchase agreements consisting of instruments listed in subdivision (a).
- e. In bankers' acceptances of United States banks.
- f. In investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- g. In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

**2. *Receivables and Payables***

All receivables are shown net of an allowance for uncollectibles. Ambulance Authority revenues are recognized when they become both measurable and available for use to finance Ambulance Authority operations. Amounts which are not expected to be collected within sixty days after year end, or are not considered available until the next year are treated as deferred revenues.

**3. *Property Taxes and Deferred Revenue***

The Ambulance Authority receives revenue from a countywide Ambulance millage on the December tax roll. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 15, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended December 31, 2006, the Authority levied the following amount per \$1,000 of taxable valuation.

<u>PURPOSE</u>	<u>MILLS</u>
Operating	\$1.6578/\$1,000

Substantially all of the taxes raised by this millage are not received by the Ambulance Authority until the following year and are not considered available; therefore, those taxes are deferred until the following year.

**4. *Inventories and Prepaid Items***

Inventories are valued at cost. The General Fund inventories consist of medical supplies.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
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Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. *Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year plus all land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	25-40
Land Improvements	10-20
Vehicles	3-5
Equipment and Furnishings	3-10

**6. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**7. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**8. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUGHTON LAKE AMBULANCE AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on February 7, 2006, or as amended by the Ambulance Authority Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Ambulance Authority Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Ambulance Authority because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Excess of Expenditures Over Appropriations**

The following had expenditures in excess of appropriations:

	<u>Budget</u>	<u>Actual</u>
Salaries and Wages	\$ 264,992	\$ 277,120
Professional Services	5,000	5,275
Contracted Services	62,000	68,988
Insurance	12,000	12,872
Debt Service	0	34,652

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Ambulance Authority's deposits are all on deposit with Chase Bank in Houghton Lake, Michigan.

*Investment rate risk.* The Ambulance Authority will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Ambulance Authority's cash requirement.

*Foreign currency risk.* The Ambulance Authority is not authorized to invest in investments, which have this type of risk.

HOUGHTON LAKE AMBULANCE AUTHORITY  
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*Credit risk.* The Ambulance Authority will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Ambulance Authority's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Ambulance Authority will do business in accordance with of the Ambulance Authority's investment policy.

*Concentration of credit risk.* The Ambulance Authority will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Ambulance Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2006, \$182,425 of the government's bank balance of \$282,425 was exposed to custodial credit risk because none of it was uninsured or uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Ambulance Authority's investments are categorized to give an indication of the level of risk assumed by the Ambulance Authority at year end. Category 1 includes investments that are insured or registered, or securities held by the Ambulance Authority or the Ambulance Authority's agent in the Ambulance Authority's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Ambulance Authority's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Ambulance Authority's name. At year end, the Ambulance Authority held no investments.

**B. Receivables**

Receivables as of year end for the Authority's General Fund, including the applicable allowances for uncollectible accounts are as follows:

Receivables	
Taxes	\$ 416,592
Accounts	<u>72,094</u>
Total Receivables	<u>\$ 488,686</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

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revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Property Taxes Receivable	\$ 416,592
Accounts Receivable	<u>18,246</u>
Total Deferred Revenue	<u><u>\$ 434,838</u></u>

**C. Capital Assets**

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 45,000	0	0	\$ 45,000
Capital assets				
Buildings	56,425	0	0	56,425
Vehicles	292,219	84,354	(151,751)	224,822
Equipment	124,834	6,999	(26,249)	105,584
Total capital assets, being depreciated	473,478	91,353	(178,000)	386,831
Less accumulated depreciation for:				
Buildings	3,292	1,881	0	5,173
Vehicles	59,564	69,631	(49,958)	79,237
Equipment	40,039	19,861	(15,680)	44,220
Total accumulated depreciation	102,895	91,373	(65,638)	128,630
Total capital assets, being depreciated, net	370,583	(20)	(112,362)	258,201
Governmental activities capital assets, net	<u>\$415,583</u>	<u>\$ (20)</u>	<u>\$ (112,362)</u>	<u>\$ 303,201</u>

HOUGHTON LAKE AMBULANCE AUTHORITY  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public Safety	<u>\$ 91,373</u>

Construction Commitments:

The government has no outstanding construction commitments as of December 31, 2006.

**D. Pension Plan**

The Authority contributes to a pension plan which is a defined contribution pension plan administered by the John Hancock company.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the completion of 1 year of service, all full-time employees are eligible to participate in the plan. Contributions made by the Authority and employees vest immediately. The participant will receive benefits upon termination of employment with the Authority. Two employees are currently enrolled in the plan.

The plan requires the Authority to contribute 5% of the eligible employee's wages. Additionally, each participant contributes 10% of their salary. During the year, the Authority contributed \$5,465 to the plan.

**E. Lease Information**

	<u>Capital Lease</u>
Debt at January 1, 2006	\$ 38,844
Liabilities Retired	(34,652)
Total Debt	<u>4,192</u>
Less Amounts Classified as Current	(4,192)
Long-Term Debt at December 31, 2006	<u>\$ 0</u>

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN

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At December 31, 2006, the Authority's debt consisted of the following:

Capital Lease Payable	<u>\$ 4,192</u>
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The annual requirement to amortize all debt outstanding as of December 31, 2007, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
Year ending December 31, 2007	<u>\$ 4,192</u>	<u>\$ 0</u>	<u>\$ 4,192</u>

**F. Prior Period Adjustment**

Generally accepted accounting principals require that taxes levied during the current year, while unavailable and deferred on a modified accrual basis, are considered earned on a full accrual basis. The beginning full accrual net assets were increased by \$394,540, from \$634,540 to \$1,029,080 to correct this prior period departure from generally accepted accounting principals.

**IV. OTHER INFORMATION**

**A. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and worker's compensation claims. The government carries commercial insurance to guard against loss from these risks.

HOUGHTON LAKE AMBULANCE AUTHORITY  
HOUGHTON LAKE, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED DECEMBER 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Property Taxes	\$ 403,628	\$ 403,628	\$ 400,940
Contributions from Local Units	6,000	6,000	9,672
Charges for Services	290,000	290,000	286,582
Interest	0	0	7,959
Sale of assets	0	0	31,000
Refunds and Reimbursements	0	0	14,023
Total Revenues	699,628	699,628	750,176
<u>EXPENDITURES</u>			
Salaries and wages	314,992	264,992	277,120
Fringe benefits	123,547	123,547	70,807
Education and training	9,500	10,500	6,284
Office Supplies	9,500	8,500	7,613
Operating Supplies	15,900	16,200	15,879
Medical Supplies	12,000	12,000	9,749
Maintenance and repairs	12,850	12,850	10,891
Miscellaneous	1,000	1,000	494
Professional Services	5,000	5,000	5,275
Contracted Services	12,000	62,000	68,988
Utilities	13,720	13,720	8,343
Insurance	12,000	12,000	12,872
Capital Outlay	123,423	126,623	98,405
Debt Service	0	0	34,652
Contingency	74,500	71,000	0
Total Expenditures	739,932	739,932	627,372
Net change in Fund balance	(40,304)	(40,304)	122,804
<u>FUND BALANCE</u> - Beginning of Year	206,537	206,537	206,537
<u>FUND BALANCE</u> - End of Year	\$ 166,233	\$ 166,233	\$ 329,341

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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October 25, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

Houghton Lake Ambulance Authority  
Houghton Lake, MI

To the Authority Board,

During the course of our audit of the basic financial statements of Houghton Lake Ambulance Authority for the year ended December 31, 2006, we noted the following:

#### Accounts Receivable

We noted that the accounts receivable subsidiary ledger is not routinely reconciled to the general ledger. This practice serves as a check on the accuracy of the record keeping process and maintains the accounts receivable on a more timely and consistent basis. The detail listing of accounts receivable should be reconciled to the general ledger control accounts at the end of each month. Any differences should be investigated and resolved as soon as possible.

#### Inventory

During our audit, we noted that Houghton Lake Ambulance Authority does not have a consistent system of taking periodic inventory counts. Physical counts of inventory should be done at least quarterly. The results should be reviewed and reconciled to the perpetual system by the Accounting Manager. The perpetual inventory listing should be reconciled to the general ledger with any large discrepancies investigated and explained.

#### Budgeting Procedures

The Authority needs to improve its budgeting procedures to be in compliance with the Uniform Budgeting and Accounting Act. A budget should be adopted prior to incurring any expenditure for the year. Various functions had expenditures which exceeded budget appropriations. The Authority's Board should amend the budget prior to incurring excess expenditures.

#### Write-Off Policy

The Authority's Board should adopt a formal policy for writing off accounts receivable. We recommend the board reviews and approves write-offs at their monthly board meeting.

We would like to thank the board for its confidence in our firm and to thank the officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

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October 25, 2007

To the Authority Board  
Houghton Lake Ambulance Authority  
Houghton Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Houghton Lake Ambulance Authority, Houghton Lake, Michigan as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Houghton Lake Ambulance Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Authority makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

## 2) Accounts Receivable Reconciliation

Currently the Ambulance Authority does not have a control structure in place to adequately account for and reconcile accounts receivable related to ambulance runs. This lack of control exposes the Authority to risk of potential non-collection or misappropriation of Authority revenue.

## 3) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) (Lack of Segregation of Duties) and (2) (Accounts Receivable Reconciliation) above constitute a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*